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ABSTRACT

According to the employees, employers, and service providers who participated in a series of 18 focus groups across the country, companies striving to reinvent themselves to compete successfully are beginning to recognize the benefits of making employees partners in the change process. Companies have only three levers for making changes in companies: design, technology, and people. Successful change requires that organizations have employees capable of functioning in the new environments resulting from design and/or technology innovations. Engaging employees as partners in change creates a new covenant between employers and employees that includes the following elements: employability, training, information, capacity to act, and rewards. Companies that want change to be a positive force must understand how to engage employees as partners in change. Employees and managers from small and midsized businesses involved in both successful and unsuccessful change have offered the following guidelines for managers wishing to engage employees as partners in change: communicate throughout the change effort, create a culture that supports change, value workers, treat workers equitably, design training to improve performance on the job, and be committed to change. (MN)

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NATIONAL WORKFORCE ASSISTANCE COLLABORATIVE

WORKFORCE BRIEF #3

PREPARED BY THE NATIONAL ALLIANCE OF BUSINESS

Employees as Partners in Change

Introduction

Companies striving to reinvent themselves in order to compete successfully are beginning to recognize that it is the combined knowledge of all of their employees that can differentiate them from their competition and give them the competitive edge they need in the marketplace. Realizing this competitive advantage requires that employees and managers be partners in change. This offers a special challenge to many companies.

To learn more about how employees can serve as partners in company change efforts, the National Workforce Assistance Collaborative conducted a series of 18 focus groups with employers, employees, and service providers from across the country. They told us:

- Why employees are a critical part of any change effort;
- What the elements of a new covenant between the company and its employees are; and
- How to engage workers as partners in change.

This brief was developed based on 18 focus groups that the ***National Workforce Assistance Collaborative*** conducted in February and March of 1994: seven with businesses, six with service providers, and five with employees. Sessions were held in Atlanta; Baltimore; Chicago; Cleveland; Dallas; Detroit; Los Angeles; New Brunswick, New Jersey; Washington, DC; and Westmoreland, Pennsylvania.

Employees: The Key to Change

Companies have a limited number of levers by which to orchestrate organizational improvements. How these levers are used affects the degree to which employees become partners in change. Unfortunately, these levers are often handled in a manner that limits employees' engagement as partners in the change process.

Focus group participants noted only three levers for making change in a company: design, technology, and people.

Design

The design of an organization – the systems, structures, and processes within which work gets done – is one lever for change. Reengineering (identifying and focusing on core business processes), restructuring (continually improving day-to-day work processes), and the adoption of self-directed teams are each a method focus group participants used to change organization design and improve competitiveness.

> "It is no news to business leaders that a skilled workforce can be a strategic trump card. Other elements of a business can be replicated by competitors – machines, processes, raw materials, access to cheap labor around the world. But a skilled, flexible workforce that can create value in ways that matter in the marketplace can offer enduring competitive advantage."
>
> – Robert Reich
> Secretary of Labor

The most visible by-product of many design changes is the loss of jobs. Recent research indicates that change efforts resulting in job loss have produced only short-term productivity improvements, along with a demoralized workforce and high levels of stress for the remaining workers forced to absorb additional work.

New technology

There is no doubt that technology plays a key role in transforming organizations. Technological advances have been instrumental in enabling firms to produce better, faster, and cheaper. For a limited time, state-of-the-art technology can provide a competitive advantage to early adopters; to late adopters, it is the price of entry into the game.

Despite its power, however, technology can simply enable and

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facilitate transformation – only people can cause transformation. Thus, technology is only as effective as the people who use it. Focus group participants noted that involving employees "up front" in the design and selection of new technology, and ensuring employees are trained to use the technology, increase the benefits obtained.

People

Successful change requires that organizations have employees capable of functioning in the new environments resulting from design or technology innovations. The need for more flexible and skilled workers compels companies to invest in employee learning and stimulate employee commitment.

As technologies and processes become more complex, businesses find it necessary to either hire workers with more skills or retrain current workers. Replacing current workers with new hires can have the same demoralizing effect on remaining workers as downsizing.

> **A Baltimore area company sent workers to a two-day TQM seminar and a four-day seminar on team building and team leadership. The employees liked the classes, but when the company lost the manager who started this employee involvement initiative, the employees never used the skills learned in the classes.**
>
> **The end result:**
> ***increased employee frustration.***

While effective retraining can provide tremendous benefits to companies and workers, employees in the focus groups cautioned that poorly planned and/or executed training programs are frustrating and dysfunctional. Group members mentioned some examples of inadequate training, including training in skills that are never used, or "cross training" by placing employees before a new machine without any instruction or guidance.

Employee involvement has been one of the most common approaches for inspiring employee commitment. Unfortunately, employee involvement programs are not always deployed effectively. Focus group participants involved in failed employee involvement programs blamed these failures on the limited scope of the programs or on management's failure to follow through on employee recommendations.

> **In one Cleveland company, each employee is trained in all five of the company's work areas. Training is provided by those employees currently doing the work. Employees receive training for as long as they need it. They "pass out" of training when they are able to work two eight-hour shifts in a row without making any errors.**

With technology and ideas moving around the globe at increasing speeds, a company's workforce is fast becoming its only mechanism for distinguishing itself from its competitors. More and more frequently, it is the workforce that enables a company to improve productivity and firm competitiveness, and create value in the marketplace. It is ironic that at a time when a skilled, flexible workforce is being recognized as an enduring competitive advantage, many companies are adopting management tactics that create an atmosphere of fear and frustration, not trust and commitment. Changes in organization design and technology must be aligned and coordinated with companies' investments in people if employees are to become partners in change.

The Elements of a New Covenant

Engaging employees as partners in change creates a new covenant between employers and employees. It is a covenant based on mutual respect, that reflects the realities of the changing workplace. The basic elements of this new covenant are emerging from the ongoing negotiations between employers and employees confronting the reality of the changing workplace.

Focus group participants discussed a number of elements to a new covenant:

Employability

Employees and the company share responsibility for enhancing the individual's employability inside and outside the company. *Job* security (the promise of continued employment in a particular job) is replaced by *employment* security (the opportunity for continued employment within a firm if an employee learns new skills) or the security of *employability* (the opportunity to learn the skills needed to find a job of comparable quality elsewhere in the economy). The shifting nature of security is an emotionally charged issue. In the new covenant, there is a long-term commitment on the part of both partners to ensure the worker's employment security, or at least employability.

Employees are dedicated to the idea of continuous learning and are ready to improve their skills to keep pace with change. They take responsibility for managing their individual careers and are committed to their company's success.

The company helps employees assess their skills and explore job alternatives, facilitates life-long learning and career development,

and, if necessary, supports no-fault exits.

Training

Ongoing professional development and training strategies equip workers with a broad range of skills to develop employee capabilities and flexibility, and to maximize employee contributions. The company: 1) clearly identifies the skills needed by employees at all levels, 2) identifies any skill deficits employees have, and 3) arranges for needed instruction.

The company also develops and supports a learning environment for all of its employees. While classroom and other formal instructional activities continue to have an important place in the spectrum of learning activities, the ultimate act of learning is embedded in the work that individuals and teams perform. Thus training still includes formal programs, but also involves consultation, coaching, and facilitation of performance on the job.

Information

All workers are trained to know what the business is about, the challenges the company faces, and the contribution they make to company productivity. All employees are provided with and trained to read financial information. The organization ensures that employees can create, receive, and transmit information as needed to promote continuous company improvement.

Capacity to Act

As part of the new covenant, organizations enable employees to act. Creating the capacity to act goes beyond the provision of training and information; it requires providing *opportunities for employees to use their skills and demonstrate their commitment.* Opportunities are provided through individual and collective involvement in problem-solving at all levels of the company, as well as individual and collective involvement in decision-making related to management systems (e.g., plant and equipment, quality and product, organization and procedures, staffing, and planning processes).

A Cleveland company shuts down for one hour each week for all-staff meetings, at which time employees discuss problems and possible solutions at the plant. Safety problems don't even merit a discussion. If employees have a safety concern, they fill out a form for the maintenance department and the problem is handled that same day.

Rewards

The new covenant reflects the concept that employees share in the risks and the rewards of company operations, and offers employees both tangible and intangible benefits. It is a given in the new covenant that the basic terms of employment are fair and equitable. Through the adoption of such systems as skill-based pay, wages reflect employees' increased value as a result of training. In many cases, employees are made partners in the creation and distribution of wealth. This may involve gain sharing, profit sharing, and/or stock ownership.

All of the high performance companies in the focus groups had profit sharing or bonus plans in which profits were distributed equally across all members of the company. Companies struggling with change either had profit sharing or bonus plans that did not deliver, did not have any profit sharing or bonus plans, or had plans that rewarded management only.

The new covenant also promotes improved company working conditions, an enriched quality of work life, and enhanced employee self-esteem.

In a unionized work setting, engaging employees as partners in change requires that the employer:

- ❑ **Engage the labor organization as a partner, recognizing the legitimate role of the union leadership as a change agent;**
- ❑ **Recognize the legitimate role of the existing collective bargaining agreement;**
- ❑ **Continue to use the existing grievance procedure, ensuring that employee involvement enhances, not subverts, any existing labor-management processes; and**
- ❑ **Be cognizant of the value of equal representation of workers and management on any employee involvement team, whenever possible using the union to select the employee members.**

Engaging Employees as Partners in Change

Change is neither good nor bad; it may have good or bad effects depending on its implementation. Companies that want change to be a positive force must understand how to engage employees as partners in change.

The ability to engage employees depends on a company's previous history with organizational development efforts. It is more difficult to gain employee commitment when prior change efforts have failed to take account of employee needs and concerns. However, focus group participants from companies with a history of failed reform efforts noted that, when management communicates with its workers, treats workers as individuals, and shows commitment to the change

process, employees are still willing to become partners in change.

Employees and managers from small and mid-sized businesses involved in both successful and unsuccessful change offered advice to managers who want to engage employees as partners in change:

- ✔ ***Communicate throughout the change effort.*** Employees want to know the company's game plan and the expected results. Employees expect management to tell them what has happened and why – both the good news and the bad. They also want management to admit its errors. Holding both departmental and all-staff meetings, adopting an open door policy, and opening the books to all workers can facilitate communication.
- ✔ ***Create a culture that supports change.*** Workers have been asked for years "to check their minds at the door," so many of the changes asked of them as part of the new covenant are difficult – and scary. Change is also new for many supervisors. They must alter their traditional perspective of "us versus them" employer/employee relations. More importantly, they must alter their behaviors from acting as lone decision makers to serving as resource providers and facilitators of *teams* of decision makers.

  Managers must support both employees' and supervisors' beginning attempts at change if they want them to keep trying.
- ✔ ***Value workers.*** Assume that employees know what they are doing and care about their company. Ask and listen to their opinions. Involve employees in the design and selection of new technology and other workplace innovations.

  Establish an employee involvement program where managers *and employees or employee representatives* set the agenda and all issues, problems, and concerns can be raised. Managers must make sure they know what they want to accomplish with their employee involvement programs and set measurable goals to gauge progress.
- ✔ ***Treat workers equitably.*** Equitable treatment means no special treatment of any class of employees, including management. Employee participants in the focus groups suggested the test of a supportive culture is whether employees are treated with respect and dignity.

  Substantive actions demonstrating fairness include equitable reward and compensation plans. More symbolic signs of fairness include having all workers, including management, wear the same uniform, abolishing reserved parking spaces, having all employees eat at a common cafeteria, and establishing a common office layout to eliminate status differences suggested by size of office or type of furniture.

  This principle of fairness also requires selection, evaluation, and development systems that ensure that all employees can "pull their weight."
- ✔ ***Design training to improve performance on the job.*** Include managers and workers in planning and delivering training. This gives training the maximum support and relevancy it needs to succeed. Provide as much training as possible on company time. Instruction should last for as long as employees need it to master new skills.
- ✔ ***Be committed to change.*** Employees are sensitive to managers' commitment to the change process. For employees, actions speak louder than words. Employees gauge managers' commitment by their follow-through on ideas and their commitment of resources – time, training, and money – needed to solve identified problems.

  Commitment involves sticking with change efforts – such as improving employee skills – in good times and bad. It also requires managers to keep their word. Managers who do what they say and demonstrate the patience needed to transform a company will earn their employees' trust – the ultimate bond between partners in change.

Steve Mitchell and Barbara Kaufman
1995

The *National Workforce Assistance Collaborative* builds the capacity of the service providers working with small and mid-sized companies in order to help businesses adopt high-performance work practices, become more competitive, and ultimately advance the well-being of their employees. The Collaborative was created with a $650,000 cooperative agreement grant from the ***Department of Labor*** to the ***National Alliance of Business***. Current partners on the project include the Council for Adult and Experiential Learning, the Institute for the Study of Adult Literacy at Pennsylvania State University, the Maryland Center for Quality and Productivity, and the National Labor-Management Association. The Collaborative provides assistance in four areas: employee training, labor-management relations, work restructuring, and workplace literacy. For more information, contact Bernice Jones at the National Alliance of Business, (202) 289-2915.

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